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C O N F I D E N T I A L SECTION 01 OF 02 ROME 001083

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E.O. 12958: DECL: 04/06/2016

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SUBJECT: TRADE VICE MINISTER PLANS "COURAGEOUS" TRADE OFFER
IF CENTER-RIGHT WINS

REF: ROME 996

Classified By: Ambassador Ronald Spogli for Reasons 1.4 b and d

1. (C) Summary. During an April 3 courtesy call by Ambassador Spogli, Trade Vice Minister Adolfo Urso was cautiously optimistic of a narrow center-right victory in this week's elections. He admitted that GOI positions on trade and the WTO have been driven by politics until now, but said a center-right victory would put the GOI in a position from which it could make "courageous" proposals at the WTO. End summary.

Urso Cautiously Optimistic on Elections

2. (U) Urso, a political ally and confidant of Vice Prime Minister Fini, told Ambassador Spogli the outcome of the April 9-10 elections will depend on what happens during the final days of the campaign. He predicts a narrow victory for the center-right coalition. He noted cell phone text messages received by his National Alliance Party showed the electorate "is confused" about the issues. According to Urso, Prodi's proposed tax on capital and property would "put the middle class in shackles," and would devastate the dream of home ownership. According to Urso, high voter turnout, facilitated by the addition of a second day of voting, aids the center-right because the second day will make it easier for the center-right's core constituents to vote. He said some center-right voters had difficulty voting on Sunday due to family or religious commitments. He expects that seventy percent of the voters will go to the polls on Sunday, with the remainder, including the critical mass of center-right voters, casting their ballots on Monday.

Launching the Italian Economy - Trade is Key

3. (U) Responding to a question from the Ambassador, Urso said he had enjoyed his five years as Vice Minister of Trade tremendously. He likes the job's mix of politics and policy and has made over 100 visits to promote Italian businesses, including three trips to Brazil, and eight trips each to China and Russia. Urso said that there is no one policy that will "re-launch" the Italian economy. The solution to Italy's economic problems requires "a recipe" of policies of which improving infrastructure, encouraging innovation, and free trade are essential parts. Pointing to the Renaissance and the 1970's, both periods of Italian economic prosperity, Urso noted that "Italy grows when it is open." In Urso's opinion, Italy has an advantage over other European countries in dealing with economic problems because it is socially stable. Unlike France, "Italian youth are not in the streets because they have strong ties to their families and small- and medium-sized businesses," he said.

A Center-Right Victory Will Bring Courageous GOI Trade Proposals

4. (C) Turning to the issue of free trade and the WTO, Urso noted political and economic considerations have limited GOI flexibility in the Doha Round. Initially, the economic downturn which followed the September 11 attacks caused the GOI to be conservative in its approach to the Doha Round. More recently, GOI positions on agricultural market access and geographic indicators have been dictated by the political need to appeal to agricultural interests in this week's general elections. Urso said that a center-right victory in the April 9-10 elections would put the government in a position to make a "courageous" proposal on trade, especially in agriculture and geographic indicators. He noted that agriculture is a small part of the Italian economy, and that if the Italian economy is to grow, the interests of industry need to be given more weight. He also noted that much processed food produced by Italian food companies uses imported raw materials, e.g., pork from Eastern Europe, and that reduced trade barriers will make Italian food companies more competitive worldwide.

5. (C) Comment. Urso's recognition that Italy needs to

engage in the WTO process for reasons other than protecting its agricultural interests is a breath of fresh air coming from a government beholden to agricultural interests until now. If the center-right wins the elections, the political calculus that has driven GOI trade policy and given excessive weight to agricultural interests will change, and allow Urso to make the "courageous" offer he discussed with the Ambassador. Although the Agriculture Ministry will still play an important role in formulating GOI trade policy, Urso clearly believes a center-right victory will shift the bureaucratic momentum to the Trade Vice Ministry.

16. (C) Comment continued. Urso, 48, is a young Vice Minister of Trade and has handled his portfolio well for five years. It is likely that if the center-right wins the April 9-10 elections, Urso will stay in his current job. There is also speculation that, if Urso's National Alliance party does well at the polls, the Trade Vice Ministry could be spun off to form a Ministry of Foreign Trade, giving Urso full ministerial rank. If the center-left wins the elections, Urso would logically become the opposition's ranking expert on foreign trade. Given the degree to which his views on the benefits to Italy of free trade mirror our own, we will continue to seek opportunities to engage Urso on these issues.

17. (C) Comment continued. Embassy also notes that the turn-around in Urso's thinking may be partially due to our pressing the GOI to rethink its real national interest in the trade round (i.e., moving from protecting Italy's small agricultural market to the real national interest -- opening industrial markets abroad for Italy's manufactured goods) and to the Ambassador's powerful op-ed just before the Hong Kong Ministerial urging Italy to act on its national interest.
End comment.
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